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Mr. Chairman, I want to thank you for the opportunity to testify here today before the Senate Aging Committee on the issues related to employers shifting from traditional defined benefit plans to hybrid plans. Accompanying me today is Eric Lofgren, the chairman of Watson Wyatt Worldwide's retirement consulting practice. In my statement here today, I will be primarily focusing on the considerable research we have done into the hybrid plan phenomenon. Mr. Lofgren is here to answer any questions that might arise about our consulting with plan sponsors on the consideration or adoption of cash balance or pension equity plans. There has been considerable publicity about these plans and statements made by some affected participants, some regulators, and some policymakers have spoken about Watson Wyatt's role in the evolution of the hybrid plans phenomenon. Certain activities and positions have been attributed to us that are simply wrong.

In addition to my testimony today I would refer the Committee members to two recent research reports that we have prepared on the matter under consideration today. The first is titled *The Unfolding of a Predictable Surprise: A Comprehensive Analysis of the Shift from Traditional Pensions to Hybrid Plans* published by Watson Wyatt earlier this year. The second is a paper titled "Taking the Subsidy Out of Early Retirement: The Story behind the Conversion to Hybrid Pensions," that I have written with Professor Robert Clark of North Carolina State University for a Pension Research Council Symposium held in early May this year. We believe these two research reports provide more substantial background on the implications of the shift to hybrid pension plans than work done elsewhere. The detailed results of these two studies support my remarks presented here. Copies of both of these papers have been provided for the Committee Members and the staff. If there are any comments or questions regarding either of these studies beyond what is covered in my statement here, I would be glad to address them.

In general terms we have found that the shift to hybrid plans is not about reducing retirement plan costs. Most employers shifting to hybrid plans have not realized any savings or have actually increased their pension costs as they have shifted to this new type of plan. To the extent that there have been reductions in costs, they have been largely associated with the elimination of early retirement subsidies. We believe that the elimination of early retirement subsidies is partially a response to employers' realization that tightening labor markets and changing demographics mean workers should not be encouraged to retire in their mid-50s while they are still highly productive. The elimination of early retirement subsidies is also partially an effort by employers to align their own retirement plans with the evolution of national retirement policy.

Our analysis is based on real plans that have been converted to hybrid plans and a broad cross section of real workers. We have documented that the conversion to hybrid plans will be a very positive benefit to many workers. We have also documented that some workers will lose retirement benefits in the shift to hybrid plans. We believe that a major reason that many workers come out better off under hybrid plans and some come out worse off is that employers shifting to these new types of plans are attempting to distribute retirement benefits more equitably than they have in the past.

We have developed these analyses so policymakers can consider the hybrid pension phenomenon within the larger context of retirement policy, demographic trends, and business conditions that constitute today's pension environment. We believe that there is the potential that pension legislation intended to address selected problems that have been reported about hybrid plans could have the potential to further damage a pension system that has been in decline for more than 15 years. If policymakers wish to develop new policies related to the employer-sponsored retirement system, we suggest that they proceed on a studied, deliberative basis rather than as a piecemeal response to plan changes adopted by a particular group of employers. In that regard, we applaud this Committee for holding this hearing today.

Background

Hybrid plans have been around for nearly 15 years now. While they have received considerable negative publicity, in the abstract they are neither any better or worse than any other type of employer-sponsored retirement plan that is widely available in this country. But we all know that these plans are not offered in the abstract. They are offered in very specific situations by real employers to real workers. Because these plans distribute benefits somewhat differently than traditional defined benefit plans, some people find them objectionable.

Before turning specifically to a discussion about our research into the hybrid pension phenomenon, I would like to make a point that offering a retirement plan in this country is still a voluntary activity on the part of employers. When the Employee Retirement Income Security Act was first being implemented in the mid-1970s, there were approximately 122,000 private defined benefit plans in operation in the United States. By 1983, this number had grown to 175,000 plans. Since that time the number of these plans has steadily declined. By 1996, fewer than 64,000 of these plans were still in operation. If sponsors have continued to drop their defined benefit plans at the rate they did in the five years leading up to 1996, by the end of this year there will be fewer than 44,000 of these plans in operation. This is about one-quarter of the number of plans operating at the high-water mark.

I believe the shift away from defined benefit plans has occurred for three major reasons. First, over the past 25 years, workers have placed far less value on a guaranteed benefit that will be provided some time in the distant future than they put in an immediate contribution put into an account in their name even though the benefits may be of equivalent value. This phenomenon has been exacerbated by the relative youth of our labor markets over the past 25 years and by the outstanding performance of our financial markets. Second, the regulation of defined benefit plans has been much more onerous than that of defined contribution plans and plan sponsors have naturally migrated toward the path of least resistance. Third, government regulations limiting pension funding have led to the creation of deferred liabilities that many business managers naturally attempt to avoid. The deferred liabilities in traditional defined benefit plans, and the financial disclosure requirements that explicitly expose them, encourage employers to structure defined benefit promises in a fashion that minimizes them.

The move away from defined benefit plans has been coupled with a move toward defined contribution plans in this country. Some people view that as a bad outcome. The Pension Rights Center pejoratively calls 401(k) plans "do it yourself" pensions. They suggest such pensions are only accessible to the well-off. Other people are concerned about the tendency toward letting workers handle the investment of assets in contemporary defined contribution plans. Here the concern is that the typical worker will not invest properly, mistiming the markets or being overly conservative. If retirement assets are not properly invested, the economic horsepower of retirement savings will not be realized. Yet others worry about the financial market risks posed to individual workers in these plans. Finally, some are concerned that workers do not tend to annuitize the assets in these plans in retirement and there is worry that many will outlive their retirement resources ending up in poverty or wards of the government.

The hybrid plan phenomenon is partly a response to the various pressures on traditional defined benefit plans and concerns about the defined contribution alternatives. Hybrid plans are more highly valued by most workers who prefer a benefit stated in current account terms over one that promises a future stream of income. Hybrid plans allow plan sponsors the opportunity to more closely align the accrual and funding of pension obligations than traditional plans. In comparison to 401(k) plans that depend on voluntary participation, hybrid plans encompass all workers covered under the plan not just those who can afford to contribute their own retirement. Most hybrid plans leave the control of retirement assets and the financial market risks associated with it in the hands of the plan sponsor. Hybrid plans make benefits more portable than those provided in traditional plans. Finally, hybrid plans offer an annuity

benefit, although participants seldom accept the offer.

This litany of seemingly positive characteristics gives rise to a question of why the shift to hybrid plans has received so much adverse publicity. Partly, the negative attitude toward hybrid plans is nothing more than bad press. Partly, the negative attitude toward hybrid plans reflects the larger disappointment over broader fundamental changes that our employer-based retirement system is undergoing. Partly, it results because transition from one type of plan to another requires temporary procedures that are judged against the old plan seen in its most favorable light. Partly, the negative response of some workers toward hybrid pensions results from the natural difficulty most of us have in accepting change, sometimes even beneficial change. Changes to something as important as our future retirement security exacerbate this natural tendency. Some of the negative reaction toward these plans may be well founded, but much of it fails to consider the changes in employer-sponsored plans in the larger context of social, regulatory, and economic developments.

Reported Reasons Employers Have Shifted to Hybrid Plans

One of the widely reported motivations for the shift to hybrid pension plans has been that employers have found a clever way to reduce pension costs without workers fully appreciating what is occurring until it is too late to do anything about it. Often analyses of the shift to hybrid plans focus on a small number of hypothetical workers. If the hypothetical workers chosen for such an analysis and their career patterns are not generally representative of the workforce in question, the results of such analyses can be extremely misleading. Some of these analyses, for example, will focus only on long-career workers who are assumed to work for a single employer until attaining early retirement eligibility and then retire before reaching normal retirement age. Such workers may represent the minority of workers employed by a given employer at any point in time. They may represent only 10 to 20 percent of workers that a typical employer might hire.

In our analysis of the shift to hybrid pension plans, we were able to gather data on 78 plans that had been converted. Our analysis was based on real plan conversions. We simulated a hybrid workforce through each one of these conversions. This workforce was comprised of a random sample of 30,000 workers drawn from 15 of our larger clients. Our analysis evaluated effects of transitions to hybrid plans on real workers, workers with highly varied combinations of age and service, pay levels, and so forth. We used realistic turnover rates that were based on actual rates developed by the Society of Actuaries on a broad cross section of plans. We believe our analysis is far more representative of the reality that participants face in the transition to hybrid plans than that provided by analysis of limited numbers of hypothetical workers.

Across the range of plans that we analyzed, we estimated the projected unit credit service costs of the prior plans and the new plans. We estimated that across this set of plans, the shift to hybrid pension plans netted employers defined benefit plans cost savings that averaged 10.3 percent of their prior plans' costs. But when we took into consideration the changes that were made to defined contribution plans in conjunction with the conversion to hybrid plans, we found that employers' plan costs declined an average of only 1.4 percent. We conclude that, on average, the shift to hybrid plans has not been about cost savings.

In the cases we have been able to document, we have found that almost two-thirds of plan sponsors that have adopted these plans have realized little or no cost savings in the shift. From this we can conclude that reducing costs and adopting a hybrid plan design are two entirely separate topics. This does not mean that some employers have not realized substantial cost savings in the shift to a hybrid plan. But plan sponsors who want to reduce the costs of an existing pension plan can do so in a number of ways. They can reduce their plan costs in adopting a less generous benefit formula even if they stay with a

traditional plan form. They can reduce plan costs by simply eliminating their plans. They can reduce plan costs in shifting to a pure defined contribution plan. There are many ways to achieve cost reduction if that is the goal of a plan sponsor. The cost of a plan and the form of a plan are two separate matters.

I reported earlier that in 1983 there were 175,000 private defined benefit plans in operation in the United States and that by the end of this year the number could be down to 44,000 plans. In 1983, there were about 30 million active participants in these plans. By the end of this year, assuming recent trends persist, this number will be down to about 21.5 million. The public disclosure information gathered by the government does not allow us to estimate what happened to workers who have lost pension coverage since 1983. But we can assuredly tell you that some of the people who lost pension coverage over this period worked for employers who were reducing their retirement plan costs.

Make no mistake, we do not applaud any reduction in the commitment to retirement saving by any employer or worker. We have written extensively, given innumerable press interviews, presented hundreds of speeches before employer groups, and testified before many congressional committees on the need for our society to have more not less pension savings. That said, some employers have found themselves in situations in recent years where they have had to reduce their contributions to the retirement plans they provide their workers. Some employers have done this as part of a package that includes the shift from a traditional pension plan to a hybrid plan. But many more have reduced their cost commitment to workers' retirement by completely eliminating their defined benefit plans. This is not a hybrid plan problem.

In our analysis, we classified employers shifting to hybrid plans into three groups on the basis of the change in the cost of their retirement plans resulting from the shift. We estimated that 45 percent of plan sponsors reduced their retirement plan costs by 5 percent or more. We estimated that 18 percent of sponsors shifted plans on a cost-neutral basis, which we defined as having costs change between 5 percent above or below the cost of the old plan. We estimated that 37 percent of sponsors actually increased their retirement plan costs in the shift to their hybrid plan. This is not a unidimensional story about cost reduction.

Changing the Employer-Based Retirement System

In 1983, the year private defined benefit plan sponsorship peaked, the nation was presented with a redirection of national retirement policy. It was during that year that Congress adopted amendments to the Social Security Act that scheduled increases in Social Security's normal retirement age. From 1935 until 2000 the normal retirement age under Social Security was 65. The only prior changes to retirement eligibility ages had been to reduce the age at which benefits could be initially paid. Under the original law this was age 65. Under amendments adopted in the 1950s, this was reduced to age 62 for women. Under further amendments adopted in the early 1960s, the earliest eligibility age for men was dropped to age 62.

The reason that Congress decided in 1983 to increase the Social Security normal retirement age starting this year was the result of the changing demographic composition of the U.S. population. Congress realized that the cost of Social Security would explode early in the twenty-first century if the baby boom generation was allowed to retire under the rules of the program that had been in operation for decades.

Now with the aging of the population, federal policies influencing retirement decisions are being retooled to deal with the new realities we are facing. In the late 1980s, we saw the elimination of mandatory retirement. We have finally reached the point of initial implementation of the increases to the normal retirement age for Social Security and there is open political debate about moving further in that

direction or implementing current provisions on an accelerated basis. Just this year, we have seen the elimination of the earnings test for persons older than the normal retirement age. From a societal perspective, we have switched from encouraging early retirement to encouraging extended work lives. How should employer pensions respond to this change in national retirement policy? Part of the answer to this question lays in the answer to why prior policies have changed.

In part prior retirement policies have changed because of changing perceptions about what is fair. Mandatory retirement provisions were eliminated because policymakers decided it was unfair to force productive people out of their jobs simply because of age. Social Security's retirement age was raised because policymakers decided the cost of sustaining the original age would be unfair to future workers in the face of growing dependency levels. Future increases in Social Security dependency levels will be driven by variations in birth rates since World War II and increases in life expectancy of retirees. Employers are facing exactly the same demographic factors as the nation faces. The costs of their pension systems are equally sensitive to the growing numbers of retirees and extended retirement periods of annuitants.

Retirement policies have also changed because of the changing dynamics of the labor market. Social Security's earnings test was criticized because it discouraged people eligible for benefits from working. In the 1930s when unemployment was rampant and policymakers thought that an older worker's retirement would create a job opening for a young worker, this policy made sense. In the 1960s, when policymakers worried about getting older workers to retire to create jobs, letting workers retire at age 62 instead of 65 made sense. It was about this time, that employers started introducing early retirement subsidies into their pension plans, providing an incentive for older workers to retire so the massive number of baby boomers could find jobs and move up existing job ladders.

In an economy where labor force growth rates are the lowest they have been in a half-century and where they are expected to fall even lower in the coming decades, such policies no longer make sense. Social Security is now implementing policy changes that encourage workers to stay in the workforce longer, not retire earlier. This is just the opposite of policies pursued in the past. Employers are operating in exactly the same environment that is dictating changes to Social Security. In an era of unprecedented tight labor markets, encouraging workers to retire more than a decade before they will be eligible for full Social Security benefits is not a desirable policy for many employers. Many policy analysts believe it is even undesirable for the nation.

Employers that have converted their traditional pensions to hybrid plans have virtually all eliminated the early retirement subsidies in their prior plans. Eliminating the early retirement subsidy from a plan creates a cost saving. But most employers converting to hybrid plans did not realize that saving for themselves. Considering the net change in plan costs in relation to the elimination of early retirement subsidies, 48.1 percent of the plan sponsors put the full value of the early retirement subsidies or more back into their combined defined benefit and defined contribution package. Another 14.3 percent modified their plans on a basis that put some of the value realized by eliminating the early retirement subsidies back into the plan. Finally 35.1 percent of plans reduced costs somewhat more than what they would have realized by simply eliminating early retirement subsidies. For these plans, however, the largest share of their cost saving was from the elimination of early retirement subsidies.

Transitions from Old Plans to New Ones

If an employer converts a traditional defined benefit plan on a cost-neutral basis or even a cost-increasing basis, it does not mean that everyone will be held harmless in the transition from the old plan to the new. Many workers who expected to derive the full benefit of the early retirement subsidies in their old plans will feel that they have been short-changed in the shift to a hybrid plan unless they are

fully grandfathered. This is not a condition that is concentrated only on older workers. Someone 25 or 30 years of age who expected to continue working under a traditional plan may end up with reduced benefits under a hybrid plan at age 55 or 60 because of the elimination of early retirement subsidies. For many workers caught in the conversions, this may seem unfair. But fairness is in the eye of the beholder.

For a 30-year old worker looking into the future, is a new plan better or worse if it would leave her better off if she quits between ages 31 and 54, worse off if she quits between 55 and 64, equivalent at age 65, and better off thereafter? If this worker is absolutely convinced that she will remain with the current employer until age 55 and then retire the answer is pretty straightforward. But what if an industrial reorganization in the overall economy, the sort that eliminated jobs in the steel and auto industries in the early 1980s, results in the elimination of a covered job at age 40 or 50? What if the job opportunities of a spouse ten years from now take the worker out of the geographic proximity where keeping this job is possible? What if personal conflicts with a supervisor or fellow worker make staying in the job impossible at age 52 or 53? What if this worker is one of those people who finds their work particularly fulfilling and comes from a line of long-lived ancestors and wants to stay in this job until age 70?

Given the probabilities of turnover under a typical retirement plan, about 80 percent of people who are newly hired at age 30 by an employer will no longer be with that employer at age 55. The probability of leaving prior to age 55 is even higher for workers hired prior to age 30 and lower for those hired after that age. These probabilities will also tend to vary somewhat from employer to employer. We believe that few people would argue that a 30-year old worker who was hired at the point of conversion to a new retirement plan could credibly argue that he or she had some "right" to early retirement subsidies in the prior plan. For the sake of discussion, however, assume for a moment that a class of 100 workers, all age 30, were given a choice between these two types of plans but on the condition that all had to be covered under the same plan. Given typical patterns of turnover for such workers, assume that roughly 80 of these workers will have terminated employment with this employer prior to reaching age 55. Further assume that on the day they are hired, each of the workers knows whether or not he or she will stay employed with this employer until that age.

If we assume that each of the workers is given one vote on the choice of plan and that each worker votes his or her own self interest, it is clear that this class will choose the cash balance plan by a vote of 80 to 20. On the other hand, if we weight the votes of each worker according to the potential gain or loss that he or she will realize by picking one or the other plans, the outcome is not so clear. That is, if a worker will be \$1,000 better off under the cash balance plan than under the traditional plan, we will give her 1,000 votes. The worker who would be better off under the traditional plan would receive a number of votes equivalent to his potential gain from that plan. If the 80 people who are going to quit prior to reaching age 55 would each gain \$1,000 on average from being in the cash balance plan but the 20 who would stay until age 55 or later would be \$5,000 better off, on average, under the traditional plan, then the class of workers would choose the traditional defined benefit plan. The 100,000 votes for the long stayers from the traditional plan would clearly outweigh the 80,000 votes of the early leavers under the cash balance plan.

The problem in this case is that there is no clear way to determine which way of selecting the appropriate plan is superior. The overall benefits provided to the class as a whole would be larger under the weighted voting approach but more people would be better off under the single vote per worker model. One might think that the general welfare of the whole group would be greater if more money in total was spent on the traditional defined benefit plan but that is not necessarily the case. If there is truly declining marginal utility from added income or consumption levels, as economists generally assume, those receiving the smaller amounts might value their benefits more highly in the aggregate than the smaller group would value their larger benefits in total. Any particular worker's perception about which

is the superior plan, however, will depend on their perceived probability of being better off under one or the other types of plan.

The perception that anyone who ends up being worse off under a new plan than they would have been under a prior plan often fails to take into account the relative benefits being provided under the original plan. As a simple example, consider a hypothetical example of two workers who start to work under a pension plan on the same day. Assume that one of them is 22 years old and the other 35 years old and that both have the same job titles, assignments and pay levels each year they work together. Assume that both of them work for exactly 20 years and then quit their jobs with this employer. Assume that the worker who quits on the day she is 55 years of age will be eligible to receive an immediate pension with a very significant early retirement subsidy. Finally assume that the worker who quits at age 42 will not be able to receive a pension until reaching age 65, and then with no subsidy. It would not be uncommon that the actual cost of the pension plan for the worker who quits at age 55 would provide a benefit whose value was four to six times that of the one who quits at age 42. For the sake of discussion, let's say that the worker who leaves at age 42 in this case has accumulated a benefit that is worth \$70,000 and the one who leaves at age 55 has earned a benefit with the value of \$350,000. The combined value of the two benefits is \$420,000 with the larger benefit being five times that of the smaller.

Now assume that the employer in this case converts to a hybrid plan five years into these workers' tenure. Further, assume that the new plan bases the annual accrual under the plan on the age of the worker. Assume that the combined value of benefits at termination is equivalent to the combined value under the old plan but that the ratio of the benefits is now 1.5 to 1.0 rather than 5.0 to 1.0. In this case the worker who terminates at age 42 would have an accrued benefit worth \$168,000 and the one who terminates at age 55 would have an accrued benefit worth \$252,000. In this conversion, the younger of these two workers would clearly be considered a winner in the transition to the new plan and the older worker a loser. While the loser might consider the transition to the new plan unfair, disinterested third parties could easily reach a conclusion that the overall plan had been made much fairer under the new approach.

In our analysis of actual plans, we developed a detailed case study of a plan that had shifted from a traditional plan to a hybrid plan on a cost neutral basis. Relative to the prior plan, we estimated that about 80 percent of workers would be better off under the new plan than under the prior one. The remaining 20 percent of workers would be worse off. While the very youngest and shortest tenured workers tended to be better off under the new plan, the 20 percent who we estimated would lose in this case came from almost every age and service distribution across the total workforce. But we showed that the 20 percent who would be worse off under the new plan would continue to accrue benefits at higher rates as a percent of pay under the new plan than their counterparts who would be considered winners. Part of what is going on in the conversion to hybrid plans is a leveling of benefit accruals. In the abstract, plan sponsors are making the distribution of benefits more equitable. To anyone who ends up with fewer pension dollars as a result, the pursuit of equity in this fashion may not always seem fair.

The Perceptions and Reality about Wear Away

One of the most controversial issues in the shift to hybrid plans is the issue of wear away. My personal opinion is that the mere mention of this phenomenon creates a negative reaction toward certain plan features that is totally inconsistent with the reaction to exactly the same economic feature that is widely included in traditional pension plans. If an employer offers a subsidy that has a value of one times annual pay at age 60 that gradually diminishes to the point of totally disappearing by age 65, in economic terms that plan has a wear away feature embedded within it. I am bothered that we call the same characteristic in a transitional arrangement wear away but do not call it that in a traditional plan. Economically, there is no difference in the two. I have heard the suggestion that some policymakers are

interested in completely eliminating wear away, including the wear away of early retirement subsidies. If that suggestion means eliminating the wear away of the typical early retirement subsidies in most traditional plans now in operation, such a provision would double or triple the pension costs for some employers. I believe that adopting such a provision at this juncture would simply accelerate the termination of remaining defined benefit plans.

Wear away, to the extent that it is related to the loss of early retirement subsidies earned up to the point of transition to a hybrid plan could be protected in the transition to a new plan if policymakers really wished to do so. I would suggest that if we are going to "vest" workers in early retirement subsidies that they have already earned in their traditional plans prior to conversion, that we should maintain the same wear away schedule for these subsidies that are embedded in pre-conversion plan. Vesting these benefits, however, may require that we revisit a wide range of existing provisions in pension law that are unevenly applied to the economic operations of defined benefit and defined contribution plans. Providing a pop up cash value equivalent to the earned early retirement subsidy at age 55 may be contrary to regulations limiting backloaded benefits. While the economic value of benefits in a traditional pension plan can increase significantly at early retirement age without causing backloading problems, providing an equivalent value in a cash equivalent context probably would.

Conclusions

In the final analysis, my perspective on hybrid plans is driven by the very real considerations that our economy is facing. First, labor markets are going to be tighter over the next few decades than anyone in the labor market today ever remembers. Employers are going to need to keep workers longer than they did during the past three or four decades if our economy is to continue to grow and thrive. Second, the savings rates that currently persist in our economy will not allow the baby boom generation to retire in the same fashion that the current generation of retirees have been able to do so. Simply put, people are going to have to work longer to accumulate adequate resources to finance an extended retirement period resulting from the steady improvements in life expectancy.

It is within this context that policymakers need to assess whether the move to hybrid pension plans is desirable. To a certain extent, the answer to this question is in the eye of the beholder. We know, however, that the shift to hybrid plans is consistent with a number of other elements of national retirement policy described above, and in particular would put employer pensions more in alignment with Social Security policy. Proponents of Social Security have often suggested its superiority to employer pensions because of its greater portability. Hybrid plans provide significantly more portability than traditional defined benefit plans. Critics of hybrid plans suggest that such plans are unfair because they do not provide the accelerated growth in benefits late in workers' careers that traditional defined benefit plans provide. However, hybrid plans provide more level accruals over workers' whole careers and provide much higher accruals late in workers' careers than Social Security does. As policymakers struggle to encourage workers to extend their careers to make entitlement programs more sustainable, it is hard to conceive they would be simultaneously interested in discouraging employers from adopting pension plans that support that policy goal. We know that the elimination of subsidized early retirement in employer pensions in general would put employer pensions on the same status as Social Security. Social Security allows early retirement but requires a reduction in benefits that is approximately actuarially fair.

Given the recent change in public policy meant to encourage delayed retirements, we hope policymakers will carefully consider the hybrid pension phenomenon in a broader context than that suggested by a relatively limited number of anecdotal cases that have captured so much public attention. Congress cannot legislate pension regulations that will ameliorate the tight labor markets U.S. employers already face or the increasingly tight labor markets they are likely to face in coming decades. Adoption of new

requirements to maintain early retirement subsidies that do not make sense in this environment will put the employers who have stood by their defined benefit plans at a competitive disadvantage relative to those who abandoned them years ago or never offered such plans in the first place. In addition, it will create a retirement policy schizophrenia where federal legislation is simultaneously trying to encourage workers to remain in the workforce for extended periods but forcing some employers to offer them benefits that encourage their workers early exit from the workforce.